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## Social Economics.

*Morning Session, August 26.*

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### THE ENDOWMENT CRAZE IN MASSACHUSETTS.

BY FRANK P. BENNETT, ESQ., PUBLISHER OF THE AMERICAN WOOL AND COTTON REPORTER.

The assessment endowment companies were authorized by an unfortunate law passed in Massachusetts in 1888, and in spite of repeated and urgent efforts to secure their termination, the act in question still remains upon the statute books. An amendment was adopted in 1890 forbidding the further formation of these endowment societies, but fifty-six had already been chartered, and though thirty-two have since come to grief, Massachusetts, at the present writing, still permits the remaining twenty-four to seek new victims within her borders, and to operate in other states under the seal of the commonwealth which has chartered them.

The endowment craze reached its height in Massachusetts during the six months ending June 30, 1891, and on that date the fifty-six Massachusetts companies had 265,585 members, to whom they had promised the enormous aggregate of \$84,810,278.

The Order of the Iron Hall, the pioneer and parent of the assessment endowment associations, was organized in Indiana in 1881, and the officers and paid

attorneys of this corporation have been assiduous and influential in promoting legislation in favor of the Massachusetts companies, whose political support is very important to the Indiana corporation.

The principal feature of the Iron Hall has been the payment of endowments of \$1,000 each to those of its subscribers who persist in paying the assessments as levied by the supreme officers for a period of seven years. The payment of disability and death benefits has been merely incidental, and is a service which can be performed far more honestly and satisfactorily by the legitimate fraternal or mutual benefit associations than by the endowment societies. The obligations of the Iron Hall began to mature in 1888, and in the four years from that time to the date of its last public statement, January 1, 1892, it had paid in final benefits, and to its sick and persistent contributors the large sum of \$5,791,245, and the cost to each beneficiary was in the neighborhood of \$300 for \$1,000. The amount of each assessment is \$2.50 for a \$1,000 certificate, and the number of assessments have thus far averaged 17 or 18 per annum. The Iron Hall also issues certificates for less amounts than \$1,000 at assessments ranging from fifty cents to two dollars each. The success of the Iron Hall in meeting its maturing certificates without any apparent disaster until the recent application for a receivership, was a powerful argument in defence of the Massachusetts endowment societies.

It would not seem to require a very profound student of mathematics to understand that if 1,000 men pay \$300 apiece into a common treasury and 300 of them draw out \$1,000 apiece there exists a deficiency immediately of \$700,000 if the remaining

700 have been promised a like sum, and that without making any allowance for the running expenses of the association, it requires three and a-half new members to pay off one old member. According to the company's own statement, it paid only 909 final claims in 1891 and had at the end of the year 65,204 members. While a membership of 65,204 would readily pay 909 maturing certificates and leave something for the reserve fund, a membership of at least 2,608,160 would be required to pay 65,204 maturing certificates at 17 or 18 assessments per year, and a membership of 104,362,400 to pay 2,608,160 maturing certificates, and a membership of 4,173,056,000 to pay 104,326,400 maturing certificates; and as the population of the entire globe is estimated to be but 1,500,000,000, it follows that, upon the basis of these calculations, nearly three times the population of the whole world, including octogenarians and infants in arms, Hottentots, Patagonian giants and wandering Arabs would shortly be necessary to insure a reasonable degree of permanency for the Iron Hall alone, without making any provision for the endowment companies having their home offices in Massachusetts.

In the corporations which have already failed there has been a record of thievery and mismanagement. In some of them there has been, too, a curious admixture of religious pretence in many of their proceedings. An officer of the order of the Golden Lion was asked by Justice Allen of the Supreme Court what position he held, and answered that he was the supreme chaplain, and that it was his duty to open the supreme session with prayer. He further stated that his previous occupation had been that of

a clerk in a grocery store at \$15 a week, but that his salary as chaplain was \$7,500 per annum. As the supreme session of the Golden Lion was held but once in two years, the cost to the members for this supreme chaplain was \$15,000 a prayer.

*Discussion.*

Professor Taussig: I do not think there is any cause for debate or discussion, but I think perhaps it is not out of order to give some public expression of gratitude for the honesty, candor and clearness of Mr. Bennett. He has taken a prominent part against this evil, and I think it fair in this audience to recognize it. He has been undoubtedly helpful in preventing the craze in spreading as far as it might otherwise have done.

Rev. Dr. Gladden: I am personally very grateful indeed, to Mr. Bennett for this disclosure. I have been sojourning for the summer in a little town on the Erie railroad, and have been hearing there continually reports as to the Iron Hall. I learned from those who were quite familiar with the facts, that a very large number of the poorer people there had invested their funds in that order. A few of them had received their \$1,000 this year, and the fact that the \$1,000 had been paid to a few was conclusive evidence to the others who had paid their money into the enterprise that it was solvent, and they are saying now exactly what Mr. Bennett said they would say, that some rascals had got hold of the funds and wrecked it, but that it was a good thing. What can you say to that?

Professor Walker: One question that I would like to have emphasized a little more is, What is the

remedy for this craze? I think that the difficulty lies in human nature; that the average man is so made that he desires to get something for nothing, and any scheme that has that for a bait will be apt to catch a great many; not only those who are ignorant, but those who are wise and ought to know better; so that arguments addressed to the intellect or the judgment seem to have little or no influence. There is another cause, possibly. I recognize the great expense of our life insurance and endowment insurance companies.

Mr. Waite: I understand that there were 909 payments last year in the Iron Hall. May I ask how many there were the year before? They did not extend their numbers so much that year.

Mr. Bennett: My impression is that last year was the first year they began to make payments. The order was founded in 1884 and of course seven year certificates mature in 1891. My impression is that the first endowments were paid then.

Mr. Waite: Of course that accounts for the fact that there would be twice as many in 1898 as in 1897. We must remember that this is but one little phase of a phenomenon of which another phase is the real estate boom in all the western and in some of the eastern cities.

Professor Clark. I hope something will come to us in the way of a remedy for this trouble. We had the sorest experience in Massachusetts in the town where I happen to reside. We tried a number of remedies at the outset and I am confident that if we had had the facts that Mr. Bennet has now given us we should have produced a very great impression. We did not have the facts. We tried first the effect

of a little persuasion and a considerable number of people supposed to know something about business signed an address. The result was a public meeting and a discussion of the question. The discussion was all against the orders but the feeling was all in their favor. It was admitted that the morals of the transaction were a little questionable, but it was held to be very profitable, a little naughty but very expedient. I hear that facts that have been brought out since then have had a great influence, and that the membership does not grow in that town. While I agree that a complete remedy cannot be hoped for, a remedy that was good within a certain limit would save 10,000 or 100,000 people from disaster.

Professor Commons: I think there ought to be some further comparison between these endowment and the old line companies. The reasons why people go into them are perhaps twofold. First, our industrial conditions are unstable, and perhaps on that account the common people are turning to the question of insurance. In foreign countries they are talking of state insurance. It seems to be a remedy for these unstable conditions of industry. The demand for insurance is not altogether a desire to get something without paying for it.

Secondly, the arguments that these endowment companies use are based on what the old line companies do. If you begin to argue with the people who are talking up the endowment associations they will bring you a circular which seems to show conclusively that there is not much difference between them and the old companies. They prove that the old line companies are existing on this immoral thing and

making money off the people who lapse. If they do it why can not we do it, why is it not legitimate?

Professor Walker: Do these companies make any pretense of investing their funds? I was much astonished by the statement of the chief of the Iron Hall that they had some \$700,000 or \$800,000 of simple deposits in a bank, without making any attempt to invest it.

Mr. Bennett. Very little attention has been paid to investment. This reserve has been obtained because the law provided that assessments were to be made to pay disability benefits, and that was the foundation upon which the fabric was built. They were permitted to levy an assessment for disability. A portion of it was used to pay the disability, and the rest, 50 or 75 per cent., whatever it was, was carried to the reserve fund. They were not permitted to levy a new assessment, except when the amount of money on hand was not equal to what would be realized from one assessment. They were not expected to have any large amount of money on hand, only a sum equivalent to what one assessment of all the membership would produce. Of that, under Massachusetts law, one-half was to be carried into the state treasury, and the other to—nobody knew where, and nobody seems to have been very anxious to find out. In the last three months before a certificate matured they could levy an unlimited number of assessments and use the money to pay endowments.

I want to say just this word in regard to insurance. If there is anything wrong in life insurance, I think it ought to be corrected. Under Massachusetts law lapse is impossible. There is a surrender



clause attached to all the policies. But, curiously enough, foreign companies may come into the state and pursue policies of tontine insurance; but a company organized under Massachusetts law cannot carry on tontine insurance. Very few companies do a lapse business today. If there is anything of that kind, it does not at all excuse the endowment business; it simply indicates that there is another evil to be corrected as well as that.

#### ARCHITECTURAL PROBLEMS IN GREAT CITIES.

BY BARR FERREE, ESQ., OF THE ENGINEERING MAGAZINE, NEW YORK.

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The architectural problem of great cities is not concerned with the building of churches, halls and ornamental and public structures, but with the houses, homes, business buildings and manufactories. Some idea of the important part these structures, popularly called unarchitectural, take in the architectural problem may be gathered from the fact that two-thirds of the population of New York live in tenements, or buildings legally classified as such. Architecture in cities is the production of healthful, wholesome buildings, of convenient offices and safe workrooms. Important as these things are, they are but part of the fundamental elements which affect municipal architecture. The situation of the town, its soil and surroundings, its plan, and the width and length of the streets, the ownership of the land and the customs prevailing as to its sale or lease, the methods of business, the chief kinds of occupation, the nationality of the citizens, all have